

Q1 2015



City of Poway Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2015)

Poway In Brief

Receipts for Poway's January through March sales were 3.4% higher than the same quarter one year ago. Actual sales activity was up 5.0% when reporting aberrations were factored out.

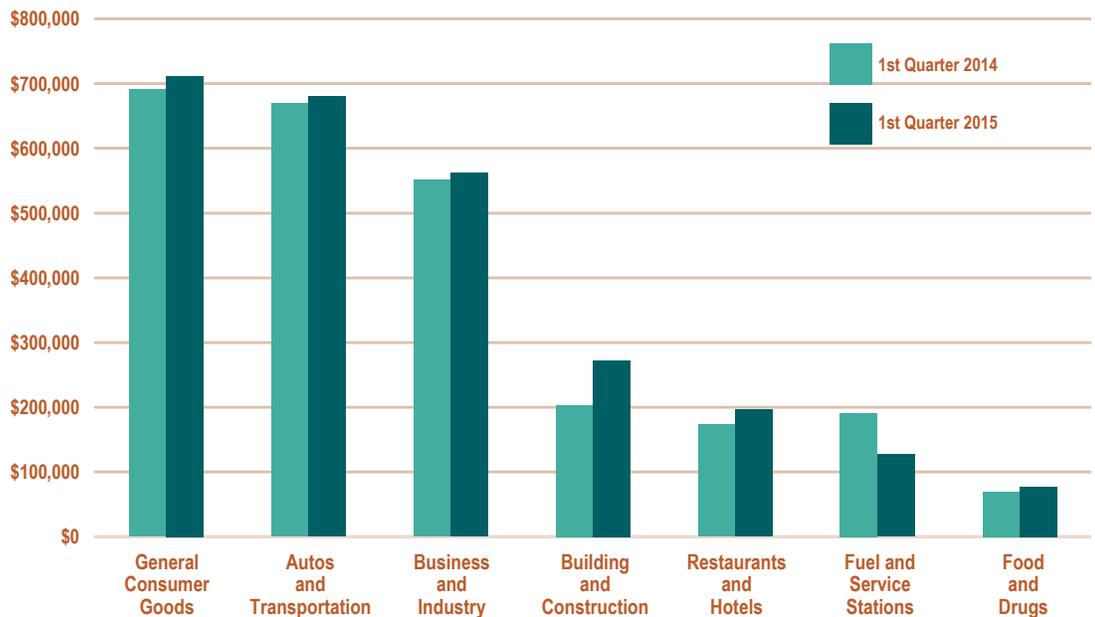
The city experienced a strong sales quarter for electrical equipment, contractors, home furnishings, and heavy industrial. Recent additions helped boost sales from lumber/building materials and grocery stores. Onetime payments temporarily increased revenues from medical/biotech.

The city's allocation from the countywide use tax pool increased 5.3% over the comparison period.

The gains were partially offset by lower gasoline prices that dampened returns from service stations, and a business closure that reduced returns from light industrial/printers.

Adjusted for aberrations, taxable sales for all of San Diego County increased 4.5% over the comparable time period, while the Southern California region as a whole was up 3.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Perry Ford
Bay City Electric Works	Poway Chrysler Dodge Jeep Ram
Circle K	Poway Honda
Climatec	Poway Mitsubishi Hyundai & Vespa
Costco	Poway Toyota/Scion
Ferguson Waterworks	Quality Steel Fabricators
General Atomics Aeronautical Systems	Specialty Care Group
Home Depot	Stein Mart
Home Goods	Sysco Food Services
Kohls	Target
Lowe's	United Oil
Mitchell Repair	Walmart
Mossy Nissan	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$8,019,028	\$8,293,636
County Pool	1,082,075	1,145,916
State Pool	5,380	5,171
Gross Receipts	\$9,106,483	\$9,444,723
Less Triple Flip*	\$(2,276,621)	\$(2,361,181)

*Reimbursed from county compensation fund

California as a Whole

Local one cent tax receipts from sales occurring January through March rose 3.65% over 2014's comparable quarter after adjusting for reporting anomalies.

An exceptionally strong quarter for auto sales/leases and restaurants was the primary contributor to the overall increase. A rise in building-construction materials was also a factor although much of this growth came from specific office and sports facility projects in Northern California.

Gains from sales of general consumer goods were primarily in value priced clothing, home furnishings and specialty retail which includes pet supplies and cosmetics. Online shopping involving goods shipped from out of state continues to shift a major portion of the growth in general consumer goods to the countywide pools.

The statewide gains were largely offset by a 21% decline in receipts from fuel and service stations.

Tax on Services

The Board of Equalization has released an estimate that levying sales and use tax on services would raise over \$122.5 billion in state and local revenues or enough to lower the overall tax rate to under 4%.

Originally imposed in 1933 as a 2 1/2% tax with only three exemptions, the legislature has gradually exempted more and more goods from the sales tax while raising rates to compensate for the corresponding revenue loss. This and the state's shift from a manufacturing to service economy has created the nation's highest sales tax rate on the narrowest basket of goods.

Although more discussion is needed, there is interest in expanding the sales tax to services and lowering the rate to make the tax less regressive and

more competitive while providing greater flexibility in the development of local tax bases.

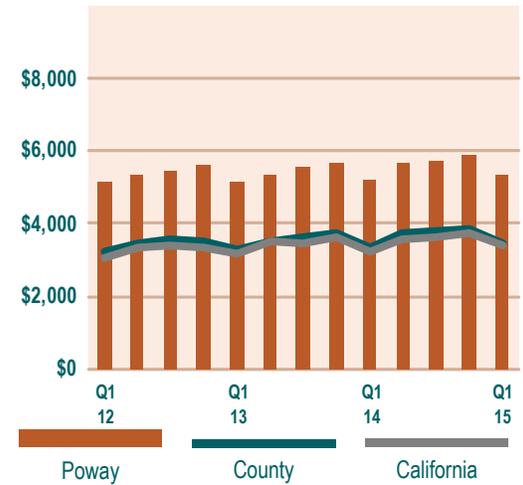
Tax on Jet Fuel

The Federal Aviation Administration has ruled that sales taxes on jet fuel must only be used for airport and aviation programs. The rule applies to taxes levied after 1987 but is unclear as to transactions tax districts, Proposition 172 revenues, or revenues collected by jurisdictions without airports. Clarification will not be available until FAA review and approval of a plan that has to be submitted by the state Department of Finance by December 8, 2015.

Tax on Marijuana

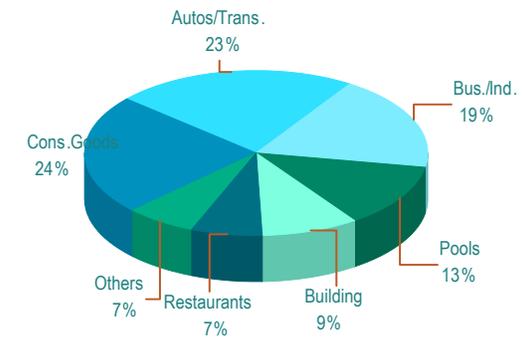
A pilot study for more effective tracking and collection of sales taxes on medical cannabis is underway in the central and northern California districts. Because current registration policy allows a "decline to state" to avoid self-incrimination, the precise number of cannabis retailers is unknown. BOE findings are expected by November 2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Poway This Quarter



POWAY TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	Poway Q1 '15*	Change	County Change	HdL State Change
Auto Repair Shops	37.3	6.7%	9.2%	7.2%
Casual Dining	68.9	4.7%	4.7%	5.2%
Contractors	50.3	19.3%	16.2%	14.4%
Department Stores	— CONFIDENTIAL —	—	2.1%	2.0%
Discount Dept Stores	— CONFIDENTIAL —	—	4.7%	4.2%
Electrical Equipment	214.2	24.7%	20.0%	-1.3%
Food Service Equip./Supplies	— CONFIDENTIAL —	—	7.6%	8.5%
Grocery Stores Liquor	43.0	12.6%	5.2%	5.1%
Light Industrial/Printers	44.7	-31.5%	1.9%	6.1%
Lumber/Building Materials	147.2	69.5%	-1.4%	-3.0%
Medical/Biotech	38.6	39.7%	-32.9%	5.1%
New Motor Vehicle Dealers	530.5	1.6%	8.1%	11.1%
Plumbing/Electrical Supplies	— CONFIDENTIAL —	—	1.0%	6.2%
Quick-Service Restaurants	81.3	24.9%	10.6%	10.8%
Service Stations	126.7	-32.5%	-25.2%	-21.9%
Total All Accounts	\$2,627.9	3.2%	4.2%	3.6%
County & State Pool Allocation	\$378.8	4.6%	5.7%	1.1%
Gross Receipts	\$3,006.7	3.4%	4.4%	3.3%